

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

NIC#10184-82
15 December 1982

MEMORANDUM FOR THE RECORD

SUBJECT: SIG-IEP Meeting, 15 December

The meeting, chaired by Secretary Regan, dealt with several topics, each of them briefly. Another SIG-IEP meeting will be scheduled next week so that Secretary Shultz can brief the other members on the outcome of his European trip, especially on East-West economic policy.

G-5 Meeting

There is still a difference on IMF quotas and on the additional funding under the GAB. The US wants a 40 percent increase in quotas and \$15 billion for the GAB. Most others want a 60 percent increase in quotas and \$20 billion for the GAB. The G-5 agreed not to compromise at this time so as not to be seen as dictating to the other countries. There will be a G-10 meeting the third week of January and an IMF Governing Board meeting the second week in February, when a final decision will be made.

Brazil

Brazil is teetering on the brink, assisted by some official funding. Agreement with the IMF is drafted and accepted. But IMF money would not be available until early February; in the meantime, more US and other official money will be needed.

Mexico

Mexico and the IMF have agreed on a stabilization program and on IMF funding, but the IMF will not make the money available until there is also agreement on \$5 billion of new commercial bank credit, plus \$2 billion of government credit. US aid mainly takes the form of CCC credits and there are budgetary limitations on these. Mexico's food situation is apparently in bad shape.

Yugoslavia

At the G-5 meeting France expressed reluctance to provide new money when debt rescheduling could have the same effect. In subsequent bilateral meetings, the Swiss and Austrians were far more positive. The Swiss may

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take the lead. The G-5 will meet again on Friday to get a report from the IMF and to agree on the dimensions of the Yugoslav problem. If others put up \$800 million, the US will offer \$200 million.

EC Agriculture

Ambassador Brock said that the recent meeting with the EC on agricultural issues was the most constructive yet, and expressed optimism that a trade war could be avoided.

Poland

The fact that the Poles are making partial payment to private creditors but giving official creditors nothing was mentioned at the G-5 meeting. With the easing of martial law, pressure to renegotiate official debt will grow.

Ethiopia

DOD still has concerns about sales of Boeing 767 aircraft to Ethiopia because of possible diversion of technology to the Soviet Union. DOD is prepared to approve the sale and licensing of the aircraft on condition that certain restrictions and safeguards be introduced with regard to servicing and supply of spares. Commerce and STR believe strongly that under these conditions Boeing would probably lose the sale and that the USSR almost certainly has the technology through other sources since the aircraft are now owned and serviced by several other foreign airlines. We agree. A rump interagency group will try to sort this out tomorrow morning, but a decision will be made within two days.



Maurice C. Ernst